



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
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IN REPLY REFER TO:
3480
U-07064-027821
(UT-923)

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JUN 30 2009

DIV. OF OIL, GAS & MINING

JUN 29 2009

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Mr. Erwin Sass
Canyon Fuel Company, LLC
Soldier/Dugout Canyon Mines
P. O. Box 1029
Wellington, Utah 84542

Re: Modification to the Resource Recovery and Protection Plan (R2P2) for Federal coal lease U-07064-027821, Dugout Canyon Mine to include mining of the Gil-4b LW panel

Dear Mr. Sass:

Background: On April 22, 2009, and on June 23, 2009, the Bureau of Land Management (BLM) received requests from Canyon Fuel Company (CFC) to conduct underground exploration drilling and mining respectively at the Dugout Canyon Mine to identify outcrop burn within Federal lease U-07064-027821 and to then mine the Gil-4b LW panel appropriately. This response to CFC's R2P2 modification includes the mining in areas that include the modification to Lease UTU-07064-027821. CFC has submitted information to update and supplement the existing R2P2, in order to describe activities, tonnages involved and in general the plan required by 3482 regulations.

The exploration plan approved on May 15, 2009 indicates CFC's intentions to drill up to 3 holes, each of which will include angle holes from the same starting collar. The proposed plan addresses all requirements of Subpart 3482 as well as Subpart 3484 as necessary, (performance Standards), including abandonment.

This mining plan (attached) addresses the mining of an additional 33,322 recoverable tons (tonnage verified by BLM) associated with the lease modification approved on June 24, 2009 which increases the recoverable tonnage base for Lease UTU-07064-027821.

This lease modification clearly meets the requirements of 43CFR 3432.2 for non-competitive coal lease modifications. It should also be noted that a lease modification in this area is required to recover additional public resources which would otherwise in all likelihood be permanently bypassed.

Approval: The BLM hereby approves CFC's proposed revisions to the R2P2 plan of operations, as submitted. The BLM concurs with CFC's revised plan mining on this Federal coal lease (modified), which is included in Enclosure 1 (Approved R2P2 Map, April 20, 2009).

Conditions of Approval: This R2P2 modification approval for the subject Federal lease is conditional on the submittal by the mine of the following to the BLM:

1. Any correspondence with MSHA in regards to the approval of underground drilling using the drillsite set-up shown on Figure 2 of the previously (May 15, 2009) approved exploration plan.
2. All drilling/geologic data which results from this project.
3. The map (attached) indicates general drilling directions, changes in this plan which could include number of holes or changes in direction should be submitted as "as drilled" to the BLM when the data is submitted.
4. Abandonment of holes (re-plugging) should be continued if holes are encountered during mining.
5. If altered from the attached approved mine plan, the final proposed configuration of LW panel Gil-4b must be submitted for BLM approval.

Inspection: The mine was inspected on March 19, 2009. Mining was proceeding toward the drilling area as planned.

Surface Considerations: No additional surface considerations will be addressed since none will occur. This determination is based on: (1) drilling only; no mining.

National Environmental Policy Act (NEPA): No new surface disturbance will occur with this action, and therefore this action is Categorically Excluded (CX) from NEPA analysis under DM 516 chapter 11.5, paragraph F. (8): Approval of minor modifications to, or minor variances from, activities described in an approved underground or surface mine plan for leasable minerals. (e.g., change in mining sequence or timing.).

Recoverable Reserve Base: As this is a drilling project only, there is no change in the recoverable reserve base for Federal lease U-07064-027821. It is important to note, however, that this drilling is critical to CFC in order to plan development and longwall mining in an area which is as yet undefined in terms of the burn extent. An entire new longwall panel may potentially be recovered from this Federal coal lease should the drilling show that the extent of the burn will not interfere.

Maximum Economic Recovery (MER): This drilling will enable MER of Federal coal to be achieved.

This R2P2 modification complies with the Mineral Leasing Act of 1920, as amended, the regulations at CFR 3480, and the lease terms and conditions. A copy of the approved mine plan map is enclosed. If you need further information, feel free to contact Mike Glasson of the Price BLM staff at (801) 636-3612.

Sincerely,
/s/J D McKenzie

JD McKenzie
Acting Chief, Solid Minerals Branch
BLM, UTSO

Enclosures:

Approved Mine Plan Map

cc: BLM UT-070, Price UT (with enclosure)
Attn: Steve Rigby

Tom Faddies (with enclosure)
School and Institutional Trust Lands Administration (SITLA)
675 East 500 South, Suite 500
Salt Lake City, Utah 84102-2818

Daron Haddock (with enclosure)
Division of Oil Gas and Mining, State of Utah
1594 West North Temple Street, Suite 1210
Salt Lake City, Utah 84114-5801

Gil-4bR2P2Mod6-23-09JM-SA

